

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 TRSE-00 XMB-02 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 USIA-06 PRS-01 SP-02

OMB-01 FEA-01 /102 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9515

INFO ALL EC CAPITALS 1034

AMEMBASSY TOKYO

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DEPT. PASS TREASURY FOR PELIKAN AND EXIMBANK FOR MINIKES

E.O. 11652: N/A

TAGS: EFIN, EEC, ETRD

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT--REACTIONS TO US
CONSULTATIONS

REFS: A. STATE 166580 (NOTAL) (B) STATE 191010 (NOTAL)

(C) STATE 176329 (NOTAL) (D) MINIKES/WARNE LETTER, JULY 14,
1975

1. SUMMARY: EC COMMISSION AND JAPANESE EMBASSY OFFICIALS
BELIEVE RECENT INFORMAL CONSULTATIONS WITH THE US, HELPED
IMPROVE UNDERSTANDING OF THE US POSITION TOWARD THE EXPORT
CREDIT GENTLEMEN'S AGREEMENT. THE EC PLANS TO DISCUSS THE
US PROPOSALS IN MID-SEPTEMBER AT WHICH TIME WE SHOULD
HAVE AN INDICATION IF FURTHER NEGOTIATIONS ARE FEASIBLE
AT THIS TIME. THERE CONTINUE TO BE NUMEROUS
DIFFERENCES ON THIS PROPOSED AGREEMENT END SUMMARY.

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2. MRS. ARCHIBALD OF THE EC COMMISSION IS PLEASED OVER THE RESULTS OF THE INFORMAL CONSULTATIONS WITH THE US IN MID-AUGUST. SUBSEQUENTLY BOTH FRENCH EXPORT CREDIT OFFICIAL GAVOIS AND SHE SENT EXPLANATORY MESSAGES OF THE FOUR US PROPOSALS CITED IN REFS A-AND B TO ALL EC MEMBER STATES. MRS. ARCHIBALD BELIEVES THE EC NOW HAS A CLEAR IDEA OF THE US POSITION. THE EC EXPORT CREDIT WORKING GROUP PLANS TO DISCUSS THESE PROPOSALS ON SEPT. 18-19, AFTER WHICH WE SHOULD HAVE THE EC REACTION TO THEM.

3. ARCHIBALD SAYS THE FRENCH CONTINUE TO HAVE DIFFICULTIES WITH THE BEGERTH COMPROMISE PROPOSAL, MAINLY BECAUSE OF INTENSE PRESSURE FROM FRENCH BUSINESS INTERESTS TO AVOID RAISING INTEREST RATES ON GOF EXPORT CREDITS. NEVERTHELESS, SHE IS HOPEFUL THAT THE EC MEETING CAN MAKE SUFFICIENT PROGRESS TO JUSTIFY ANOTHER NEGOTIATING SESSION WITH THE US AND JAPAN. SHE HAS IN MIND A MEETING AT THE TECHNICAL LEVEL SOMETIME IN MID-OCTOBER, PERHAPS, IN WASHINGTON. THIS MEETING WOULD ALSO AFFORD AN OPPORTUNITY TO CONSULT WITH THE US AND GOJ ON THE PROPOSED HONG KONG MASS TRANSIT PROJECT ON WHICH SEVERAL OF THE EC MEMBER STATES WILL BE BIDDING. (COMMENT: ARCHIBALD HAS NOT YET OBTAINED MEMBER STATE REACTIONS TO THE US PROPOSALS AND HER VIEWS MAY JUST BE PIOUS HOPES. THERE IS NO INDICATION THAT ANY PROGRESS HAS BEEN MADE IN BREAKING THE IMPASSE WITH THE GOF OVER THE GEBERTH PROPOSAL. END COMMENT)

4. ARCHIBALD BELIEVES THE RECENT CONSULTATIONS ON THE BRAZILIAN STEEL EXPANSION PROJECT (REF C) WERE HURRIED AND CUMBERSOME. SHE CONSEQUENTLY PLANS TO SUGGEST TO THE EC WORKING GROUP THAT IT DRAW UP PROCEDURES TO BE USED IN SUCH CONSULTATIONS IN THE FUTURE. ARCHIBALD PERSONALLY FAVORS THE FOURTH PROPOSAL OF THE US PACKAGE, WHICH WOULD MAKE CONSULTATIONS AN INTEGRAL PART OF ANY AGREEMENT. SHE WANTS TO BEGIN AN EXCHANGE OF VIEWS ON CONSULTATION PROCEDURES WITH THE US AND JAPAN SO AS TO DEVELOP LIMITED OFFICIAL USE

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AN UNDERSTANDING OF EACH PARTIES' REQUIREMENTS. THE MISSION SENT TO INTERESTED WASHINGTON AGENCIES A DESCRIPTION OF CURRENT INTRA-EC CONSULTATION PROCEDURES IN REF D.

5. ARCHIBALD DOES NOT BELIEVE THAT A COMPREHENSIVE AGREEMENT IS OBTAINABLE AT THE PRESENT TIME. POLITICAL PRESSURES ARE CURRENTLY TOO INTENSE ON GOVERNMENTS TO

EXPAND EXPORTS TO REACH AN AGREEMENT THAT WOULD SUBSTANTIALLY TIGHTEN CREDIT TERMS. A MORE MODEST, AGREEMENT, HOWEVER, ALONG THE LINES OF THE US FOURTH PROPOSAL, WOULD LAY THE GROUND WORK FOR A COMPREHENSIVE AGREEMENT ONCE WORLD TRADE AND ECONOMIC CONDITIONS IMPROVE.

6. MISHIMA OF THE JAPANESE EMBASSY HERE BRIEFED US ON THE GOJ'S INITIAL REACTION TO THE US FOUR PROPOSALS. THE GOJ HAS PROBLEMS WITH THE SECOND PROPOSAL BECUASE IT WOULD BE DIFFICULT TO DRAW UP A MUTUALLY ACCEPTABLE LIST OF SPECIFIC SECTORS THAT WOULD BE SUBJECT TO DEFINITE LIMITS. REGARDING THE THIRD PROPOSAL, THE GOJ ALREADY HAS DIFFICULTIES WITH THE MINIMUM INTEREST RATES PROPOSED BY GEBERTH AND IT WOULD NOT BE ABLE TO ACCEPT ANY INCREASE OF THESE MINIMA. THE GOJ IS STILL STUDYING PROPOSALS ONE AND FOUR AND WILL GIVE ITS REACTION LATER. MISHIMA ADDED, HOWEVER, THAT THE GOJ'S PRELIMINARY REACTION WAS NOT NEGATIVE TOWARD THESE TWO PROPOSALS. THE GOJ CONTINUES TO HAVE DIFFICULTIES IN ACCEPTING ANY PRECISE LIMIT TO MIXED CREDITS AND BELIEVES IT WILL BE DIFFICULT FOR ANY AGREEMENT TO PROHIBIT INSURANCE SCHEMES FROM COVERING COST INFLATION OF EXPORTS AT THIS TIME. GREENWALD

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